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ABSTRACT

This guidebook provides charter schools with ideas when seeking financing, and touches on the issues they often face regarding appropriate site, managing the construction and renovation process, and facility operation that is safe and economical. Ideas presented are based on experiences of real charter schools. The document is organized around four major means by which charter schools can meet the facility's financing challenge. The first section addresses financing preparation and provides tools that can help facilities in crafting business, accountability, and facility-development plans. The second section addresses creative ways to accumulate the amount charter schools need to finance. The third section explains how aggressive shopping, exploring low-cost forms of financing, looking for ways to make their deals less risky, and pursuing other strategies can help these schools reduce the interest rates they pay for financing. The fourth section explains how charter schools can improve public policies regarding these facilities, obtain per-pupil revenue for charter schools, and bring about other helpful changes. Appendices provide sources for additional information. (GR)

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Out of the Box:

Facilities Financing Ideas for Charter Schools

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July 1999

CHARTER FRIENDS NATIONAL NETWORK

connecting and supporting state-level charter school initiatives

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The origins of this Resource Guide

Finding and financing a suitable, affordable facility is one of the most daunting challenges facing charter school developers and operators. To help meet that challenge, the Charter Friends National Network launched a major initiative on facilities financing in mid-1998. Aided by a grant from the Chicago-based Kinship Foundation, this initiative has produced several major reports including this latest resource guide for charter school operators, "Out of the Box: Facilities Financing Ideas for Charter Schools."
Earlier products from this initiative may be found elsewhere on the Charter Friends Web site at: **http://www.charterfriends.org/ffnews.html** and **http://www.charterfriends.org/facilities.html**
The second of these documents is entitled "Paying for the Charter School House" — a policy report largely aimed at state policy makers and charter school leaders —that makes the case for state policies and programs that provide additional, explicit facilities financing programs for charter schools.

While such policies must be the long-term objective of charter school advocates all across the country, there's a huge, immediate need for practical ideas and solutions for meeting the facilities needs of charter schools today. This resource guide has dozens of such practical ideas and solutions drawn from the experiences of charter school pioneers in all parts of the country.

The authors and contributors

Like its predecessor reports, "Out of the Box" is largely the work of Bryan Hassel, co-founder of Public Impact, a North Carolina-based education policy consulting firm. Bryan helped launch the North Carolina Charter School Resource Center and has also been part of a team at SERVE, the Southeastern Federal regional educational lab that's designing a leadership institute for charter and other innovative public schools. And, he's co-authored a 1998 U.S. Department of Education report on the role of sponsors in granting charters and is the author of *The Charter School Challenge* (Brookings Press, 1999).

In addition to his work on facilities financing, Bryan is the co-author of a Charter Friends resource guide—also released this summer—that's designed to assist charter school boards that are interested in contracting with outside management services. And, he previously co-authored three other Charter Friends reports: a 500-page "Sourcebook for Charter School Planning Workshops" and two publications on linking charters and comprehensive school designs. Prior to founding Public Impact, Bryan worked for the Center for Community Self-Help in Durham, North Carolina, one of the nation's largest community development organizations. He holds a Ph.D. in Public Policy from Harvard University. A Rhodes Scholar, he also received an M.Phil. in Politics from Oxford University.

On this project, Bryan was assisted by two research assistants: Meredith Miller conducted much of the initial research for "Out of the Box" and Joanne Scharer identified, researched and wrote most of the "school profiles" and "tools you can use" that appear throughout this guide. And, of course, development of this resource guide could not have been possible without the advice and assistance of dozens of charter school leaders and individuals associated with a variety of facilities financing tools—many of whom are listed throughout the body and appendices of this guide.

Out of the Box

Facilities Financing Ideas for Charter Schools

The latest in a series of tools for charter school developers and operators prepared and distributed by Charter Friends National Network with financial support from the Chicago-based Kinship Foundation.

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July 1999

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From Moviehouse to Schoolhouse: Persistence Pays Off

New Century Charter School in Carrboro, NC offers a bizarre yet apparently not that uncommon example of how charter schools across the country are struggling to find suitable facilities. When New Century opened in September of 1998, its doors were not those of a school, or for that matter anything resembling a school. Rather, it opened its doors in a local movie theater. Of course, New Century's experience with finding a good location did not start or end there. Early on, New Century came across a local real estate developer who, having attended an alternative high school himself, became sympathetic to the school's needs. He began developing plans for the school on a plot of land he owned in Carrboro. Unfortunately, that plan fell through because of strong neighborhood opposition to having a high school in the immediate area. Undaunted, school leaders shifted their attention to trying to obtain an existing building in Carrboro, but that plan fizzled as well. Although New Century's leaders had started their school search early on, it was now the summer of 1998 and the school was scheduled to open in September. Running out of time, the school's staff worked out an arrangement with the owner of the theater, who just happened to be a former English teacher, and were able to secure a temporary site until the end of the year. Fortunate and grateful to have a "home," the staff embraced the challenge of holding classes in such an untraditional location by using the projection screen for overheads and designing lap boards for the students to work on while in their seats. Unfortunately, despite their efforts, using the theater proved to be too complex. The school had to set up and tear down every day, a strenuous routine. While operating in the theater, the school's leaders came close to finding a permanent site several times. In November, they had tentatively negotiated an agreement for a site at a local church camp. The school would use it during the school year and the church group who owned it would use it for summer camp. Everything seemed to be falling into place, until once again public perception foiled the deal. During this time, some bad publicity came out in local papers about the problems facing other charter schools. As a result, this deal, as well as another one with a church, fell through. It was now December and the end of the arrangement with the movie theater. New Century now faced the same dilemma it had in the summer—where would it hold classes? During Winter break the school moved out of the theater and into a nightclub at a local motel. While this location would only be home to New Century for four weeks, it proved to be a good, and necessary, opportunity while the school continued to search for more permanent quarters. Finally things started looking up. Space opened up in a building that had originally been the area schoolhouse before being abandoned and falling into disrepair. Eventually the building was purchased and renovated into artists' studios and community building. After cycling through five potential sites in less than 2 years, New Century finally moved into the old 1930s school building as its permanent home in February of 1999.

**For more information contact Holly Snyder at (919) 942-4772 or newcentury1@juno.com http://nccs.home.mindspring.com

I. EXECUTIVE SUMMARY: THE CHALLENGE

Charter school leaders have devised some of the most creative facility financing arrangements public education has ever seen.

IF YOU ARE CONNECTED WITH A CHARTER SCHOOL, no one needs to tell you that finding and financing a facility is one of the most daunting challenges faced by charter schools everywhere. No one needs to point out that appropriate buildings are scarce; that affordable leases and loans are hard to come by; that renovations can drain even the most expansive start-up budgets; that managing a real estate development project is a complex and risk-filled task; that making those monthly mortgage or rent payments can eat into your precious operating dollars.

Like North Carolina's New Century Charter School (see "From Moviehouse to Schoolhouse: Persistence Pays Off" box), you may have set up your school in a series of temporary sites before finding your "permanent" location—permanent, that is, until your lease ran out or your growing enrollment had you bursting at the seams.

Like the leaders of many of the other schools featured in this report, you may have gone begging to what seemed like dozens of financing sources before you put together a deal that worked, if only marginally. But like other school leaders, you may also have devised some of the most creative facility financing arrangements public education has ever seen—not just meeting the needs of your school, but also building models from which we all can learn.

The Charter Friends National Network's *Out of the Box* is about the challenges facing charter schools as they seek to finance their facilities. But more to the point, it is about the extraordinary strategies charter school leaders have designed to make both temporary and permanent homes for their schools. Based on exchanges with dozens of school leaders around the country, this document describes a set of levers or tools that charter schools have at their disposal when it comes to financing a facility.

Out of the Box is not a comprehensive guidebook to facilities financing. But it should provide you with a host of ideas to pursue in your own settings and a wealth of resources to mine for more information. Though it focuses on one aspect of the facilities challenge—financing—it touches on many of the other issues you face, including finding an appropriate site, managing a construction or renovation process, and operating a facility safely and economically once the building opens.

The document is organized around four major levers charter schools are using to meet the facilities financing challenge:

Lever 1: Getting ready to tackle the facilities challenge.

Schools are finding that well-crafted business plans, clear accountability plans, and detailed facility-development plans make all the difference. This section of *Out of the Box* provides information about tools that can help with these processes.

Lever 2: Minimizing the amount you have to finance.

Most charter schools end up borrowing some money for their facilities or incorporating the costs of renovation in a long-term lease. But schools across the country are finding creative ways to bring down the amount they finance.

Lever 3: Minimizing the cost of financing.

By shopping aggressively, exploring low-cost forms of financing, looking for ways to make their deals less risky, and pursuing other strategies, schools everywhere have reduced the interest rates they end up paying on the amounts they have to finance.

Lever 4: Advocating for policy changes.

Many of charter schools' facilities problems grow out of unfavorable public policies toward charter schools. In many states, charter schools have joined forces to win improvements in these policies, obtaining per-pupil revenue for charter school facilities and other helpful changes.

Throughout the document, the ideas presented are based on the experiences of real charter schools. Profiles of schools' strategies and other important tools are set apart by boxes and icons, explained in the box. If you have identified other successful strategies in your work, please submit them to the Friends Network for posting on the Charter Friends Web site.

Like the labors of charter leaders in solving facilities problems, *Out of the Box* is a work in progress, and we welcome your ideas. See the inside back cover for information about contacting the Friends Network.

Look for These Icons Throughout the Document

School profile. These boxes provide real-world examples of how charter schools have approached the facilities financing challenge.

Tools you can use. These boxes provide tools and resources you can use to address your own facilities financing needs.

Should you be reading this resource guide at your computer?

Because this resource guide include dozens of electronic links to Internet resources, you may actually find it easier to use "on-line." This guide, with all of its direct links to other resources, is available on the Charter Friends Web site: http://www.charterfriends.org

II. LEVER 1: GETTING READY TO TACKLE THE FACILITIES FINANCING CHALLENGE

THE FIRST LEVER YOU HAVE AT YOUR DISPOSAL is to get your own house in order as a charter school. Financing a facility inevitably involves presenting your case effectively to prospective lenders, investors, property owners, and grant-makers. For simplicity, this document will refer to all of these potential audiences as "investors," since charter schools ask all of these groups to take risks in the anticipation of some return, whether financial or otherwise. Investors are likely to be concerned about three sets of issues.

First, will your school be able to develop and manage a facility that is (a) appropriate to the school's educational program and (b) valuable on the market in the event the school does not succeed? Second, will the net revenue your school generates be sufficient to make loan or lease payments? Third, when your school's charter comes up for renewal, how good are the chances that you will get the go ahead to operate beyond your initial term?

Successful charter leaders devise answers to these three questions through three kinds of planning: real estate planning, business planning, and accountability planning.

A Word About Terms: "Investors"

Out of the Box uses the term "investor" to refer to a range of entities that provide financing for charter school facilities, including:

- ✔ lenders
- ✔ holders of bonds
- ✔ providers of "equity"
- ✔ property owners providing long-term leases
- ✔ donors
- ✔ public agencies that may provide financing for charter schools

All of these are "investors" in the sense that they provide financing up-front in anticipation of some uncertain future "return," whether financial or otherwise. This document uses the single term for simplicity.

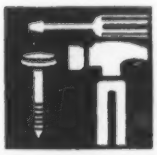
A. Real Estate Planning

As you well know, developing a charter school facility is a complex undertaking. Whether you end up renovating an existing space for your purposes (as most charter schools do) or constructing a new building, the process is likely to be time-consuming, expensive, and filled with twists and turns and false starts. Even if you don't need any financing, careful planning of this process is essential to your school's success. And if you, like most schools, do need financing for your facility, having a clear real estate plan and demonstrating the capacity to carry it out are central selling points for investors.

If there is one overarching piece of advice almost all experienced charter school facility developers offer, it is this: *give yourself time to find, finance, and develop your facility.* Time is critical first and most simply because the real estate development process takes time, far longer than most people expect. And

giving yourself time helps you negotiate effectively with all of the providers you'll encounter, be they lenders, property owners, or construction companies. If you have the time and inclination to shop, you're in a better position to bargain. Of course, time is not a luxury all can afford. But early starts and foresight can help; avoid waiting until the last minute if at all possible.

Beyond allowing yourself time, charter operators provide a range of tips on conducting your facility planning process. Some of these are offered in "Keys to Effective Real Estate Planning" on page 8, which draws largely on the advice of the California Charter Schools Development Center.



Keys to Effective Real Estate Planning

Understand local, state and federal processes. Many different agencies have their hands on the real estate development process. Local officials oversee **zoning** procedures that may affect your project. Another local factor is **building codes,** which specify in great detail the constraints you will face. Your **state charter law or regulations** may contain specific provisions regarding facilities. More general **state education law** may contain strictures on school facilities that go above and beyond local building codes. And **federal laws,** such as the Americans with Disabilities Act, include requirements that affect charter facilities.

Identify needs. Knowing what you need is a vital early step. Your facility should be an integral part of your overall school design, including its instructional program and overall business plan. Consider not only the total space you need for your core academic program, but also questions about the configuration of this core space, technological needs, auxiliary facilities (like playgrounds and athletic space, common / "multipurpose" spaces, parking, kitchens, offices), location and traffic flow. As discussed below, think creatively about which of your needs truly must be met on your main "campus" and which can be met through partnerships with others, but make sure you think through how you will meet all your needs. For an example of how one school listed out its needs for space, see "One School's Space Needs" on page 9.

Identify options. Think broadly about possibilities, including existing district school space, existing private school space, churches, retail or industrial space, modular buildings, and new construction.

Integrate into school plan. Consider not just short-term needs, but also long-term plans for expansion of enrollment and programs. Consider what your unique instructional program requires in the way of facilities. Consider all the financial trade-offs involved with different facility choices (see the Business Planning section, below). And don't forget the significant amount of leadership attention that's required to make a facility happen for a school—be sure the timing of this attention makes sense in light of your broader leadership tasks.

Implement with care and expertise. Experience with finance, design, and construction is essential—make sure you have that expertise internally or have access to it via well-crafted contracts. Negotiate contracts with great care, though—caveat emptor! Identify and address significant risks early, and have back-up plans for inevitable foul-ups and delays. Bring key advisors and potential partners in early for preliminary discussions and feedback.

Adapted from materials of the California Charter Schools Development Center (CSDC). For more information on the tools and resources available from CSDC, visit ***www.cacharterschools.org*** *Another excellent resource on facilities planning is the Massachusetts Charter School Resource Center's white paper, "Charter School Facilities Financing." Call 617-723-2277.*

BEST COPY AVAILABLE

B. Business Planning

The core document reviewed by potential investors is the school's "business plan." The business plan presents your case for financing. A typical charter school business plan includes elements such as:

- ✔ a description of the school's mission and educational approach
- ✔ an analysis of the school's "market," explaining the target population's needs and the school's competition
- ✔ an explanation of the school's marketing strategy
- ✔ an outline of the school's management and governance plans, including descriptions of key board members and personnel
- ✔ financial data about the school, including annual budgets and cash flow statements projected into the future and, in the case of existing schools and organizations, financial statements from prior periods.

Fortunately, there is no need to start from scratch when developing a business plan to show potential investors. A wide range of business plan outlines, sample business plans, sample financial statements, and downloadable business planning spreadsheets are available. See "Tools for Business Planning" on page 10 for a host of resources for charter schools specifically and for small enterprises more generally.

C. Accountability Planning

At first glance, it may seem like bankers and other lenders might be less interested in the educational side of your school than its business and financial plans and budgets. But experienced charter school leaders say that having a clear accountability plan for the school is also critical to convincing investors to ante up.

For prospective lenders and landlords, the 3-5 year fixed term and subsequent charter school renewal process can be particularly frightening. Since facilities loans and leases often require 15-30 year terms to be feasible, lenders and landlords are smart to ask: what will happen at the end of three or five years when the charter comes up for renewal? A clear accountability plan can turn the black box of renewal into one of the many calculable risks investors take when providing long-term financing.

For potential donors, the accountability plan is also an essential part of the case the school makes for the value of a charitable contribution, since it

One School's Space Needs: St. Paul Community Learning Center

Type of Space Size Needed for School Serving 150 K-6 Students (in square feet)	
Reception area and office:	300
Work room:	300
Parent resource room:	200
Conference room:	100
Conference room:	250
Director's office:	150
Commons, lunch, assemblies:	2,500
Instructional space:	5,000
Computer lab:	800
Kitchen, tiled, can be vinyl:	200
Bathrooms:	1,000
Storage (4 at 100 each):	400
Custodian and storage:	100
Health:	150
Closed in room for TV studio, drama:	1,200
Teachers' work room:	200
Additional storage:	400
Circulation:	900
Total:	**14,150**

Other build out requirements: security system; open green space north of bldg.; fence around grounds; conduit for phone, data lines

***For more information contact Wayne Jennings, Designs for Learning at 612-649-5400 or wayne@designlearn.com*

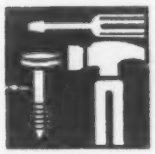
outlines what the school hopes to achieve and how it expects to get there. See "Tools for Accountability Planning" at left for some accountability planning resources.

Tools for Accountability Planning

A vast array of such tools exists, but two places in particular offer well-organized gateways to this world of resources:

An Annotated Resource Guide for Shaping an Accountability Plan for Your Charter School produced by the California Charter Schools Development Center and available through the Friends Network's Web site: http://www.charterfriends.org/performance.html

Standards and Assessment Resource List compiled by Leadership for Quality Education: http://www.lqe.org/stand.htm



Tools for Business Planning

Specific tools for charter school business planning

Friends Network's Guide for Developing a Business Plan for Charter Schools
http://www.charterfriends.org/guide.html

Self-Help's Charter School Cash Flow Template (Excel Spreadsheet)
http://www.selfhelp.org/new/lending/charter.xls

Charter School Business Planning Spreadsheets from Leadership for Quality Education and the Illinois Facilities Fund
http://www.lqe.org/resource.htm

General business planning guides, tools, and resources

Small Business Administration
- Business plan outline:
  http://www.sbaonline.sba.gov/starting/businessplan.htm
- SBA Small Business Classroom:
  http://classroom.sba.gov/xtrainx/
- Current on-line course offerings include "The Business Plan" and "How to Raise Capital for a Small Business"
- Local SBA Offices:
  http://www.sba.gov/regions/states.html

Quicken.com Tools for Small Enterprises
- Business plan samples and templates:
  http://www.quicken.com/small_business/starting_a_business/
- Business planning spreadsheets and model documents and policies:
  http://www.quicken.com/small_business/cch/tools/contents/

Other sites with business planning resources
- http://www.ideacafe.com/
- http://www.morebusiness.com/

III. LEVER 2: MINIMIZING THE AMOUNT YOU HAVE TO FINANCE

HOW MUCH MONEY WILL YOU HAVE TO BORROW (or incorporate in a long-term lease) to finance your facility? The amount is a function first of the *total size of the project*—how much it will cost to get a facility ready for students. But the amount you have to finance also depends on the *portion you can "raise"* through means other than borrowing.

The next three sections of *Out of the Box* discusses a number of strategies charter schools are using to take on both of these challenges. "Redefining the School" talks about ways charter schools are reducing the total size of their facilities projects by rethinking what they truly need in their facilities. "Bringing Your Own Equity" discusses sources of grant funds that have helped charter schools bring down the amount they financed. Then, "Working a Deal" describes ways charter schools have obtained space for less than the market would typically charge. While the specific examples cited may not apply to your school or community, they may serve as catalysts for your thinking about analogous opportunities in your own setting.

Off-campus Resources

- ✔ County parks and recreation facilities
- ✔ Private recreation facilities (from YMCAs to for-profit gyms)
- ✔ Public libraries
- ✔ Museums
- ✔ Local businesses (e.g. for computer facilities, common spaces)
- ✔ Universities
- ✔ Community colleges
- ✔ Other schools

A. Redefining the School

Most of us went to schools with a standard design—classrooms off of hallways; a library; a cafeteria and gymnasium; perhaps an auditorium; parking lots, playgrounds, and sports fields outside. The typical public school is a self-contained campus with all the needed facilities on-site.

Charter schools offer the opportunity to rethink this self-contained model, and many charter schools are doing just that. They are contracting with other organizations—or using free public facilities—for functions like athletics and physical education, performing arts, even libraries and science labs, freeing up their scarce facilities dollars for renovating the schools' core classroom spaces. They are using technology to connect students to resources that ordinarily are found on site. "Off-campus Resources" at right contains some ideas.

Often, charter leaders "redefine the school" primarily to solve their facilities problems, but they often find that the new arrangements produce other benefits as well—expanding educational opportunities for students even as they help out with the bottom line. The experience of City on a Hill Charter School, featured in "What is a 'School' Anyway?" below, makes some of these possibilities clear.

Charter school leaders emphasize that the redefined campus creates its own challenges. Can you find appropriate facilities in your community? How will you transport students to off-site locations? How will you manage the collaborative relationships you must establish with other parties to make these arrangements work? Will contracting for outside facilities really save money, all things considered? Redefining the campus is no silver bullet. But many schools are finding it a helpful device in meeting the facilities challenge.

What is a "School" Anyway?

City On A Hill Charter School in Boston, MA, has its home in a YMCA adjacent to Northeastern University. The school rents space from the YMCA and has expanded this space every year while putting in $2,000,000 for renovations. Not only has the YMCA been a good place to hold classes, City On A Hill also has a programmatic partnership with YMCA. It is able to utilize the YMCA's gymnasium, after-school programs, and other facilities.

The proximity to Northeastern University also offers some wonderful benefits to City On A Hill. As adjunct faculty at Northeastern, City On A Hill teachers have access to the university's parking spaces, library, recreational facilities, and other amenities. Seniors are eligible to take classes at Northeastern and teachers can bring students to the library to use the internet, catalogs and reference materials. In addition, if City On A Hill hosts a student teacher from Northeastern, the school receives credit for a free course at the university for a City On A Hill teacher.

Although City On A Hill's relationship with the YMCA has proven to be mutually beneficial, it does challenge the students with an adjustment from a more traditional school environment, and the YMCA must accept the challenges of having high-school students around all day. A school considering a similar arrangement should make sure that the hosting facility—like City On A Hill's YMCA—is open to the positive opportunities and challenges that the young people present.

**For more information contact Sarah Kass at (617) 262-9838

http://www.doe.mass.edu/cs.www/cs.cityonahill.html

B. Bringing Your Own Equity

Redefining the school may bring down your need to borrow, but you will probably still face some needs for financing. One obvious way to reduce this further is to raise money you don't have to pay back. Here are some ideas from charter schools around the country:

The old-fashioned capital campaign

Perhaps the most common and straightforward approach is simply to solicit donations for your facilities costs from individuals, businesses, and foundations. Though some funders are unwilling to provide money for facilities, they may be able to make an operating grant that frees up other funds for facilities. See "Successful Results" at right for one school's experience with a capital campaign. For advice on fundraising and information about hundreds of funders, a good source of information is the Foundation Center's Web site: http://fdncenter.org

Federal community development funds

Federal funds may be available for the renovation of facilities—not for charter schools per se, but for buildings in areas of the community that officials have targeted for physical improvement. Charter schools all over the country have been able to tap these funds to help pay for their facilities. For example, the AppleTree Institute in Washington, DC, tapped Community Development Block Grant (CDBG) funds to help pay for its development of an incubator for charter schools in the District (see "Making the Most of Extra Space" on page 26.) For more information about the CDBG program and other federal initiatives, see the box "Federal Community Development Resources" on page 14.

Local community development funds

In addition to these federal resources, your state or municipal government may have additional funds available for similar efforts. Many of these programs provide loans (these are explored below under "Minimizing the Cost of Financing,") but some provide grants, such as those obtained by Colorado's Crown Pointe Charter Academy (see "Education and Redevelopment" on page 14.)

Historical renovation funds

In some places, charter schools housed in old buildings, such as old schools, can benefit from historic preservation funds. See "Capitalizing on History" on page 15 for two examples of charter schools that have done so. (See also the discussion of historic tax credits under "Minimizing the Cost of Financing," on page 23.)

Successful Results Lead to More of the Same

New Visions Charter School in Minneapolis, MN, raised $4.6 million over a 2 and 1/2 year period. In doing so, New Visions found that a charter school must show and document it is producing results. For example, New Visions works with students who have a history of setbacks in traditional schools. Through the combination of the various components of its unique programs, the school has produced about a 1.5 year reading gain with its students each year for the past 6 years. Without those results, the school feels it would not would not have been as successful in raising the funds. New Visions also found that producing an annual report of results made more individuals, corporations, and foundations aware of its program and therefore more interested in making contributions.

"For a more in-depth review of New Visions School's experience, see the "Many Paths Lead to New Visions" on page 34.

Education and Redevelopment

Crown Pointe Charter Academy in Westminster, CO, is located in a 10,700 square foot facility owned by the school district. Before becoming home to Crown Pointe, the building was last used for vocational training and had become dilapidated. Crown Pointe was able to renovate the building with the help of the City of Westminster. Westminster had identified a portion of the city as an urban redevelopment zone and felt that a charter school in that neighborhood would attract younger families and help the city meet its redevelopment objectives for the area. The city gave $400,000 to Crown Pointe to renovate the building, in turn asking the school to target 33 percent of its enrollment from the South Westminster area (the redevelopment area).

Crown Pointe is now in the process of gaining approval from the school district to double the building's size. The school needs approximately $1.5 million to complete this expansion, and the city has already given $111,000 toward this amount. The school's leaders plan to mount a corporate and individual fundraising campaign and to submit grant applications. Crown Pointe's goal for this expansion project is to raise $500,000 through fundraising and obtain loans for the remaining amount.

For more information contact Kay May at (303) 466-8468 or linkomatic@aol.com
http://www.geocities.com/athens/olympus/9509

Federal Community Development Resources

Community Development Block Grants
The Community Development Block Grant Program provides states with annual direct grants, which they in turn award to smaller communities for use in revitalizing neighborhoods, expanding affordable housing and economic opportunities, and/or improving community facilities and services.

Program Description: http://www.hud.gov/progdesc/cdbg-st.html

State Contacts: http://www.hud.gov/cpd/statefct.html#contact

Community Connections: http://www.comcon.org/
The Information Center for the U.S. Department of Housing and Urban Development Office of Community Planning and Development including information on CDBG technical assistance, providers, and events

Successful Application of CDBG Funds: http://www.hud/gov/ptw/menu.html
Through the John J. Gunther Blue Ribbon Practices in Community Development awards, HUD recognizes the most notable and innovative practices in community development, including many successful applications of CDBG funds.

Empowerment Zones/Enterprise Communities
The Empowerment Zone/Enterprise Community (EZ/EC) effort provides tax incentives and performance grants and loans to create jobs and expand business opportunities in the most economically distressed areas of inner cities and rural communities. It also focuses on activities to support people looking for work: job training, child care, and transportation.

Background Information and Listing of EZ/ECs:
http://www.hud.gov/cpd/ezec/ezeclist.html

Public Housing—HOPE VI
The HOPE VI program was developed as a result of the National Commission on Severely Distressed Public Housing, which was charged with proposing a National Action Plan to eradicate severely distressed public housing by the year 2000. The Commission recommended revitalization in three general areas: physical improvements, management improvements, and social and community services (including schools) to address resident needs.

Program Description and Contacts:
http://www.hud.gov/pih/programs/ph/hope6/hope6.html

C. Working a Deal

Another way charter schools have reduced costs is to find a property owner willing to sell or lease a building or conduct renovations for something below what the market will bear. Without question, these deals are hard to come by. You have probably already scoped out the most immediate options—churches with idle education space during the week, child care centers and private schools that aren't at capacity or have closed. But here are a few rocks to consider turning over:

Vacant public space

The most obvious kind of public space is the vacant public school building, and many charter schools have found homes in current or former schools. In other places, though, local school buildings are not an option because there is

Capitalizing on History

The **Edison Project** teamed with a neighborhood organization called New Cole Economic Development Corporation for a $6.5 million renovation of Denver's historic **Wyatt School.** The renovation includes an addition with a gym, a library, a computer lab, and classrooms. Renovating a historic property makes this project somewhat unique and even helped fundraising efforts. Because of the historic background of the building, the Colorado Historical Society gave $400,000 toward the project. In addition, more than a dozen foundations, individuals, and government agencies awarded grants to the school to help with the construction costs. Overall, the school raised nearly $4.5 million dollars, funding the balance of the project with a bank loan. For more information contact Garrett Wyman at (212) 292-4527 or gwyman@newyork.edisonproject.com

Marble Charter School in Marble, Colorado, is another example of a charter school that took advantage of its historic nature. The school is located in a 1910 historic schoolhouse. In acquiring funds for the needed renovations, the charter school obtained two grants from Colorado Historical Society in the amounts of $87,000 and $111,000.

Although the building hadn't been used as a school since the since the 1940s, in the 1980s, the school district sold the building to the Marble Historic Society for $1. The historic society used the building mainly as a museum until the some citizens presented the idea of starting a charter school in the community. At that point, the school had to decide if it wanted to purchase or rent the building from the historic society.

Because the building would need a fair amount of renovation, the school opted to rent the building for 50 years for $1 a year as to avoid having to renovate the entire building; renting space required bringing only the portion of the building being used for school purposes up to school standards. The school also borrowed $117,000 from the school district at 0% over 10 years and has received other foundation based funding and donations. For more information contact Katie Updike at kupdike@rof.net or visit http://marblecolorado.org/mcs

Shopping for Surplus Property

The U.S. **General Service Administration**'s Public Buildings Service sells most federal surplus Government real estate. For information, you may call 1-800-472-1313 or request a free copy of the U. S. Real Property Sales List by writing the Consumer Information Center, Pueblo, CO 81009 or calling (719) 948-4000. Information on real property sales can be obtained by Internet at www.gsa.gov/pbs/pr/prhome.htm Also, information on commercial real estate that HUD sells can be obtained through Internet at www.hud.gov/brokers.html

Some states also have similar laws on the books governing state and local property. New York's recent charter law requires the state and school districts to make lists of surplus property available to charter schools.

(New York Charter Law, Page 8, Section 2853(3)(c), available at www.nycharterschools.org)

simply no space, or because the relationship between the charter school and the district is less than chummy. But school buildings are not the only vacant space to consider. Federal law, and some state laws, require public agencies of all kinds to make idle facilities available to nonprofit organizations for a reduced cost. "Shopping for Surplus Property" on page 15 contains information about how you can learn of vacant federal property available at a discount; your state may have similar resources as well.

Making the Community College Connection

The **Arizona Agribusiness and Equine Center** is a 300-student charter school in Arizona that is housed in two Phoenix-area community colleges—South Mountain and Paradise Valley. With a focus on agribusiness, Arizona's second largest industry, the school's high school students have access to courses in biotechnology, animal science, natural resources, and a core college prep sequence that integrates the agribusiness emphasis. The links to the community colleges provide more than access to excellent facilities, with the full range of science labs and technology needed for the school's unique focus. The community colleges also offer college-credit courses for the school's students; classes of interest to parents; and a faculty pool that can teach classes at the charter school on a course-by-course basis, simplifying the school's hiring needs.

**For more information contact Linda Proctor Downing at (602) 243-8004.*

Employers

More and more charter schools are persuading employers to help them build or renovate a facility on or near the employers' property. Though most state charter laws do not allow a charter school to set aside student seats for children of a particular company's employees, many businesses still find it advantageous to have a nearby public school associated with the company. In return, they may be willing to provide a building, provide funds for a building, or guarantee a loan taken out by the school. And they can provide linkages to business activities that can be educational.

In Florida, for example, schools-in-the-workplace are burgeoning in regular districts as well as charter schools, which *are* allowed to set aside student slots for employees' children. So-called "satellite" schools exist in a zoo, a vacation resort, a large hotel, an Air Force base, Disney World, and Universal Studios. For more information and examples of partnerships between employers and charter schools, contact Public Policy Associates in Lansing, Michigan at 517-485-4477 or by e-mail at ppa@publicpolicy.com. Public Policy Associates has developed a series of resource materials for charter developers and businesses that are considering partnerships under contract with the U.S. Department of Education. Also part of this initiative are the National Alliance of Business and Michigan Future, Inc. Details on this initiative are also available on the project's Web site at http://www.nab.com/schooltowork/charterschools

Museums

Charter schools housed in museums are increasingly common across the country. In addition to solving the facilities problem, these partnerships of course create extraordinary educational opportunities for the students. See the box "Museums of Learning" at right for examples.

Community colleges and universities

Colleges and universities in your area may well have perfect space for classrooms, common activities, media centers, recreational facilities, and other needs—and this space may be sufficiently idle that you can make a deal. Housing your school within such an institution may also offer programmatic advantages, as the profile in the "Making the Community College Connection" box illustrates.

Museums of Learning

The **Flagstaff Arts and Leadership Academy (FALA)** in Arizona is located on the grounds of the Museum of Northern Arizona (MNA) (http://www.musnaz.org/). MNA collects and displays objects relating to Native American art and history, natural science, and contemporary art. Where appropriate, its art and science exhibitions are integrated into FALA's curriculum. School lessons are centered within six 28-by-60 foot modular classrooms, but the museum shares its entire 400-acre campus with FALA's students and faculty.

FALA's charter was granted in January of 1996, but did not yet have a site for the school. Its founder, Karen Butterfield, looked at a 10,000 square foot facility in a shopping center, which she determined was not an ideal environment for a high school. She also considered finding investors to purchase property and then leasing modular classrooms. But finding a workable site proved difficult, and postponing the charter school for a year seemed imminent. A day after the charter was officially approved, Butterfield proposed her idea of having MNA host the school and sharing the school's modular buildings for summer outreach programs. Soon thereafter, the proposal was approved and FALA had a home. Butterfield believes that this innovative partnership helped the school raise much needed start-up funds, including double the average stimulus money for Arizona charter schools.

Source: "Museums and the Charter School Movement," *Museum News*, September/October 1998

The **Henry Ford Academy of Manufacturing Arts & Sciences** (http://www.hfacademy.org/) in Dearborne, Michigan is located on the premises of Henry Ford Museum and Greenfield Village. However, unlike FALA (featured above), the Henry Ford Academy was actually born out of the museum itself.

Even before Michigan's enacted its charter school law in 1993, the Henry Ford Museum's leadership started focusing increased attention and resources on an expanded educational mission. During the school's planning phase, it was decided that a school would be developed on the grounds of the museum using start-up money committed by the Ford Motor Company Fund. The architect's design process emphasized participant involvement, linking the built environment with the curriculum and incorporating existing resources as much as possible. Building on the museum's existing facilities—a cafeteria, rest rooms, auditorium, and pool—allowed planners to envision a 400-student high school for a fraction of the typical cost.

The rest of the school is located in Greenfield Village, where farms, fields, and historic structures of the village will be the focal point for formal education. Non-historic structures such as an old restaurant and arcade are being converted into learning studios, project rooms, staff offices, and a cafeteria. Eventually, some historic structures will be converted for use by the academy students as well as museum visitors and summer camp participants.

Source: "Museums and the Charter School Movement," *Museum News*, September/October 1998

IV. LEVER 3: MINIMIZING THE COST OF FINANCING

PURSUING STRATEGIES LIKE THOSE OUTLINED in the previous section have helped schools afford suitable facilities, but most schools still end up financing some portion of their facilities costs through loans or long-term leases that incorporate the costs of renovations or construction. How have schools held down these costs?

First, it's helpful to understand why charter schools often end up paying high rates for their loans and leases. Having a handle on these factors can point you toward strategies for minimizing their consequences. See "Why Charter Schools Pay More" on page 21 for a list of the key factors.

While the strategies in this section can help abate those factors, they cannot make them go away. Without drastic changes in public policy, charter schools are unlikely to end up with the same financing opportunities conventional school districts enjoy. As a result, it's important for charter school leaders to avoid the "expectations gap"— hoping you can obtain financing on terms available to school districts when in fact you'll face a much different situation.

It's important for charter school leaders to avoid the "expectations gap"— hoping you can obtain financing on terms available to school districts when you will face a much different situation.

With those factors in mind, take a look at four sets of strategies charter schools across the country have used to keep costs down: being a smart consumer, seeking out low rates, abating risk, and looking for revenue-generating opportunities.

A. Being a Smart Consumer

The element you control most fully is how "smart" a consumer you are in the financing process. Here are some helpful tips:

Shop!

The first advice that many experienced charter schools offer: be sure to shop around, considering multiple possible sources of financing. The first or most obvious deal you encounter may not be the best. See "Some Sources of Financing" on page 22 for some categories the main options fall into, and the Appendix beginning on page 36 for more information about specific sources.

When shopping, schools naturally focus on the bottom line—the rate they'll be charged on a loan or lease. It's important, though, to look more broadly at deals, also considering such factors as:

Like any major decision, it's best to both take your time and shop around when arranging facilities financing.

- ✔ ***Fees and other expenses:*** Interest or lease rates are often not the only costs of financing—consider any up-front or ongoing expenses that go along with particular deals.

- ✔ ***Payment schedule:*** Does the proposed repayment schedule work given your expectations about cash flow? Consider the schedule on which you expect to receive your per-pupil funding or other critical resources.

- ✔ ***Prepayment terms:*** What penalties do you face, if any, for paying off the loan or terminating the lease before the agreed-upon time? If you think you may want out early (because you'll want to move to a larger / more suitable space or you expect to obtain more favorable financing after a few years' track record) make sure you understand what you'll be required to do to escape.

Give yourself time

To the extent possible, give yourself time to find, finance, and renovate or construct your facility. You may not have much choice, but if you do, stretching out the timeline can make a big difference. A longer timeframe gives you the space to shop around. It prevents you from having to accept a bad deal because it's the only deal. It minimizes the impact of problems that inevitably arise in the process of construction and renovation. It leaves you more time to meet the myriad zoning and code requirements you will face. And it avoids the need to pay contractors and others a premium for fast work. However, keep the timeline short between when your payments start and when revenues flow from student attendance.

Be willing to "cobble"

Though many charter school operators hope for a silver bullet that will meet all their financing needs, much more common is a process of cobbling together multiple sources of financing. Such arrangements are complicated, of course, but often they offer the best overall deal. In reviewing the list in "Some Sources" on page 22, think about ways to combine your potential resources into a favorable package.

Why Charter Schools Pay More

Many factors go into the rate charged for financing by "the market." On many of these factors, charter schools face built-in disadvantages:

■ **Cash flow:** First and foremost, investors are interested in knowing whether a borrower will generate sufficient cash flow to carry out its business and make loan or lease payments on time. In most charter states, though, charter schools do not receive full per-pupil funding; in particular, they do not typically receive per-pupil facilities funds. As a result, cash flow is often tight. Furthermore, if the school is a start-up, investors have no track record with which to test the reality of your projections. Even though you have a charter, it's only as good as the number of students you actually enroll.

■ **Access to tax-exempt financing:** When school districts finance facilities, they generally do so by issuing bonds that are tax-exempt. Since investors do not have to pay income taxes on the interest they earn, they are willing to charge a lower interest rate on these bonds. Charter schools often have difficulty tapping tax-exempt financing. The legal picture in their states may be unclear regarding whether charter schools are eligible for such financing, the costs associated with pursuing this option may be prohibitive, and the risks associated with charter schools may appear too great for the typical tax-exempt investors. Uncertain futures: School districts also obtain favorable rates because they are virtually guaranteed of being in existence next year (and the next and the next). Charter schools, by contrast, can be shut down if they fail to deliver results. Investors will tend to charge higher rates because of the uncertainty inherent in charter schools' existence, especially when renewal and revocation policies are shrouded in mystery or subject to political winds.

■ **Value of collateral:** Though investors hope to be repaid over time by a charter school's payments, they have to plan for the worst. If the school closes, they need some assurance that collateral will cover the school's obligations. In many cases, though, charter schools' collateral is weak. Schools that are leasing have little to offer in the way of collateral. And even schools that own face problems—schools require very specialized facilities that may be of little value to other inhabitants. The deal's "loan to value"— the ratio of the loan amount to the value of the collateral—may be too high for comfort. These considerations tend to raise the cost of financing for charter schools.

■ **Lack of guarantors:** One reason investors regard nonprofit corporations as high-risk is that no individual is on the line financially for the enterprise's performance. Many charter schools recruit one or more guarantors—individuals or corporations that agree to back your financing by co-signing your loan or pledging specific assets as collateral. Other charter schools, though, lack access to such deep pocket backers.

■ **Tight schedules:** Charter schools often face a tight timetable—receiving a charter in the spring, for example, they may seek to open the following fall. Tight timetables make it difficult to hold down costs. Your time for "shopping" and negotiating is limited, and you may be charged a premium for hurried transactions.

■ **Sophistication of borrowers:** Many charter leaders lack experience in the byzantine worlds of finance and real estate development. This lack of background can raise costs for two reasons. First, inexperienced borrowers may find it hard to find and negotiate the best possible deals. Second, in setting rates, investors are likely to consider the business sophistication of the borrowers, charging a premium when experience in finance and business management is weak.

■ **Understanding by investors:** Since charter schools are new and relatively rare, many investors do not understand them. Some may not be willing to take the time to educate themselves about key issues like charter school finance and the renewal process. They may in turn overestimate the risks associated with financing a charter school.

Some Sources of Financing

Many different providers of financing (or institutions that help schools arrange financing) are out there. This alphabetic list contains some of the major categories; see the Appendix for contact information on specific providers.

- ✓ ***Community development financial institutions:*** These generally nonprofit organizations provide financing for community development initiatives, such as low-income housing, small businesses, or community facilities. Several "CDFIs" have begun providing financing for charter schools.
- ✓ ***Individuals:*** Individuals associated with a charter school or living in a charter school's community are often a valuable source of financing.
- ✓ ***Investment banks:*** Several of the nation's investment banks have shown an interest in helping charter schools tap major capital markets.
- ✓ ***Local banks:*** The bank around the corner is always worth a visit because of its community ties. If your school is in an area of town in need of development, banks may be able to fulfill their obligations under the federal Community Reinvestment Act by working with you.
- ✓ ***Manufacturers of modular school buildings:*** Companies that make or distribute modular buildings typically provide financing along with facilities.
- ✓ ***National providers of financing:*** Several national finance companies have begun financing charter school facilities.
- ✓ ***Property owners and real estate developers:*** Property owners commonly renovate facilities for charter schools recouping their costs over time in lease payments.
- ✓ ***Public economic and community development loan pools:*** A number of cities and states have loan pools that offer low-interest financing for projects that spur economic development, especially in disadvantaged communities.
- ✓ ***Tax-increment financing:*** If your renovation or construction is going to raise the property value of your location, your city or town may offer "tax increment financing" (TIF) to help pay for the work. In essence, TIF allows you or your investors to hold onto some of the increased property taxes you will be required to pay as your property's value rises. See the box "Tapping Economic Development Tools" on page 25 for an example.
- ✓ ***School management companies:*** Some companies that manage school operations also provide financing for school facilities.

B. Seeking Out Low-Rate Options

Charter school leaders have uncovered numerous devices for lowering the rates they pay for financing. Here are some of them:

Going tax exempt

More and more charter schools are financing facilities using tax-exempt financing. When financing is tax-exempt, investors do not pay taxes on the interest they earn. As a result, they are willing to offer the financing at a lower rate. Charter schools have taken advantage of tax-exempt financing through

two primary routes, examples of which are described in "Tax Advantages" on page 24:

Because they offer lower interest rates, tax-exempt bonds can make a huge difference in the feasibility of financing charter school facilities.

- ✔ ***Bond issuance through an existing authority.*** Charter schools have begun to approach traditional issuers of bonds for public and nonprofit organizations. These include general bodies of government, such as cities and counties, and specialized bond authorities, such as those that issue bonds for private educational and cultural facilities or for industrial development. In some cases (Colorado and NC), these issuers are specifically authorized by law to issue bonds on behalf of schools. In other cases, they can do so under a general authorization to issue bonds on behalf of nonprofits or public agencies. Because of the fees associated with this route, this approach typically economical only for deals amounting to several hundred thousand dollars or more. If your project is this large, find out who issues bonds for educational, cultural and nonprofit facilities in your state and get in touch.

- ✔ ***Direct financing.*** Many charter schools have taken an alternate route—obtaining tax-exempt financing directly from a lender without going through such a conduit. The legalities surrounding this approach are complex; you will definitely need strong legal counsel to proceed. In brief, if both your attorney and the lender's counsel are convinced that the school is eligible for tax-exempt financing by virtue of your public status, you can proceed on a tax-exempt basis. Many of the organizations listed in the Appendix are expert in this sort of financing.

Capitalizing on tax credits

An alternative to tax-exempt financing is the use of tax credits for investors. If investors can obtain a substantial tax credit by investing in a charter school facility, then they are likely to require a lower rate of return from the charter school. One commonly used tax credit in the facilities arena is the federal rehabilitation tax credit, which provides a federal income tax credit of up to 20% of the cost of renovating historic buildings. Since many states have similar provisions, the credit available to investors can be upwards of 40%, a much more substantial advantage than tax-exempt financing offers. Many states have additional tax credits as well for other purposes, such as revitalizing disadvantaged communities or creating jobs. For more information about the rehabilitation tax credit, contact the National Trust for Historic Preservation at 202/588-6255 or visit The Trust on the web at www.nationaltrust.org

Tax Advantages

Educational and cultural facilities bonds in Colorado. To help Colorado charter schools overcome the obstacles to facilities financing, the legislature made charter schools eligible to use the proceeds of tax-exempt bonds issued by the Colorado Educational and Cultural Facilities Authority. In June, 1999, **Core Knowledge School** in Denver became the nation's first charter to receive a rating from Standard and Poor's. **Liberty Common Charter School** in Fort Collins was actually the first charter school to take advantage of the new Colorado bonding authority. The school received an interest rate of around 7%, considerably less than it would pay for taxable financing. Before taking advantage of the tax-exempt bond program, the Fort Collins school leased its facility from an investor group at market rates. In addition to its own equity, the investor group had obtained multiple loans totaling more than $2.5 million to finance the facility. Issuance of tax-exempt bonds allowed the school to purchase the building from the investor group, consolidating the debt and lowering its facilities payments substantially.

**For more information contact Peter Kast at (970) 229-9900 or pkast@frii.com

City bonds in Chicago. **Noble Street Charter School**, which is part of the Northwestern University Settlement House, is constructing a building which it expects to finance partly with $2.5 million in 501 (c) (3) bonds authorized by the City of Chicago. These tax-exempt bonds will have a term of 25 years and a low, floating interest rate (about 3.5% in April 1999). Obtaining financing on such favorable terms is no easy process, requiring multiple approvals within city government and the payment of fees. But the school regards the deal as well worth the complications.

Privately arranged tax-exempt financing in Rhode Island. **Times^2 Academy** in Providence, RI, is working with Pope Building Systems to build a 30,000-35,000 square ft. modular permanent facility at a cost of $3,000,000. The building is being financed through a tax-exempt lease/purchase agreement. Under such an arrangement, the school will eventually own the building at the end of the lease term, and investors do not pay taxes on the income they earn.

Times^2 Inc. is a 20-year old nonprofit that started the school focusing on math, science, and engineering for minority and low-income middle and high school students. Despite its long history, the organization needed some help in finding collateral. G-TECH, a multi-national corporation with a representative on the Times^2 board, stepped up to the plate, agreeing to be a guarantor for the financing.

**For more information contact Ralph Taylor, Executive Director Times^2 Inc. and Dean of Dreams, Times^2 Academy at (401) 272-5094 or times2@ids.net

Tapping public sources

Many municipalities and states have low-interest loan pools and other financing programs for projects that help revitalize targeted areas or create jobs for residents. While these programs are not specifically designed for schools, many charter schools have found them helpful. See "Tapping Economic Development Tools" on page 25.

Looking to community development financial institutions (CDFIs)

One increasingly relevant form of financing for charter schools is community development financial institutions, or CDFIs. These institutions, which are generally non-profits, exist to provide financing for individuals and organizations that have trouble obtaining it from conventional sources.

In addition, CDFIs also provide borrowers with technical assistance on the "business side" of their affairs, which can help open the door to other sources of financing as well. Several CDFIs, including the Illinois Facilities Fund, the National Cooperative Bank Development Corporation, and Self-Help in North Carolina, have established specialized loan programs for charter schools; many others would consider requests from charter schools. To find a CDFI in your area, visit the National Community Capital Association Web site at www.communitycapital.org

Utilizing vacant public space

The section above on "Working a Deal" mentioned vacant public space as a potentially low-cost form of property to *purchase*, but some vacant public space may also be available for rent in your community at a low lease rate. See "Making the Most of Extra Space" on page 26 for an example. And refer back to the "Shopping for Surplus Property" on page 15 or the Appendix for information about how to find surplus property in your area.

Tapping Economic Development Tools

Minnesota New Country School in LeSueur, MN put together a financing package for construction of a new building by using a local economic development approach. This approach included a loan from the city's Economic Development Authority, money from Tax Increment Financing (TIF), and a bank loan guaranteed by the USDA's Rural Development Program (http://rurdev.usda.gov/agency/rhs/cf/cf.htm).

Another worthy aspect of the project is that the building can be reconfigured for other uses if the school leaves or closes. This consideration makes the project more appealing to the investors and potential investors backing the project.

** For more information see http://mncs.k12.mn.us

Another school that opted for the local economic development approach is **New Spirit School** in St. Paul, MN. Through a self-created non-profit corporation, New Spirit put together a financing package that included an economic development loan from St. Paul's STAR Loan Program (http://www.ci.saint-paul.mn.us/depts/ped/star/index.html). The loan provided the funds for acquisition and renovation of an old Catholic school. Though the STAR loan did not provide all the funds the school needed, it helped New Spirit secure local bank financing. As in many economic development loan programs, the STAR loan was "subordinate" to the bank loan—if the school failed the bank would have the first claim on the school's assets.

** For more information see http://www.newspiritschool.com

Making the Most of Extra Space

AppleTree Institute for Educational Innovation created a Charter School Incubator in Washington, DC, a facility that currently houses two charter schools. AppleTree made use of the Public Facilities and Cooperative Use Act of 1976 to obtain 35,000 square feet of low-cost space. The Act requires the federal government to make surplus space available to nonprofits at a steep discount when agencies dispose of these properties. AppleTree is paying $2 per square foot compared to the $24 market rate, amounting to a $3 million savings over the four-year life of the license. To fund renovations, AppleTree competed for and received a $680,000 Community Development Block Grant (CDBG) from the DC Department of Housing and Community Development. The incubator qualified for community development funds because of the extraordinary leverage of the low-cost license and because education is considered critical to workforce preparation. Through the combination of the subsidy, the CDBG grant, and $125,000 in private donations AppleTree now has a 35,000 square foot facility, where 270 students attend school, at a cost to the schools of approximately $3.50 per square foot per year. AppleTree is home to the **Washington Math Science Technology Public Charter School** and **Cesar Chavez Public Charter School for Public Policy.**

**For more information about the AppleTree Incubator call Jack MacCarthy at (202) 488-3990 or jackmacapp@aol.com

C. Abating Risk

Even if the underlying rate of a financing source is low—for example, because it is tax-exempt financing—you may still be charged a "risk premium" in the market because charter schools are a risky proposition. For example, even charter schools that have managed to arrange tax-exempt financing are typically paying rates several points higher than what a school district would pay. How can you minimize the risks faced by your investors, thus lowering your own costs? Here are a few ideas from the field.

Find a partner willing to back you

Even if your charter school is a fledgling organization, you can reassure investors through strong partnerships with more established organizations. Partnerships help address investors' concerns in part because they deepen your management capacity. If the partner is willing to guarantee your debt or to pledge its existing assets as security, the reassurance is even more convincing.

Two of the charter schools featured elsewhere in this document have utilized such partnerships. Times^2 Academy in Providence gained the backing of G-TECH, a multi-national corporation that agreed to guarantee the school's financing. Noble Street Charter School became part of the Northwestern University Settlement House, a long-established organization with good community relationships and existing facilities (see "Tax Advantages" on page 24).

Recently, dozens of community development corporations have also helped start charter schools—see "Developing Communities" on page 28. Many other charter schools have prospered by working closely with museums, higher education institutions, community-based organizations, municipal governments, individuals and many other partners.

Investigate public guarantee programs

Some existing federal and state programs guarantee a portion of the financing provided by private lenders. For example, charter schools in North Carolina and Minnesota have made use of the US Department of Agriculture's rural community facilities guarantee program (see "A Community Facility—Guaranteed" at right).

Design your facility for alternative uses

Where possible, consider designing your facility so that in the event you leave, the facility could be transformed for another use with minimal effort. Doing so may reduce downpayment requirements if the greater versatility allows the lender to tolerate a higher loan-to-value ratio. See "Expecting the Best" on page 28 for an example.

Personal guarantees

If individuals associated with the school are willing to pledge personal assets to back the financing, investors gain some reassurance that is independent of the charter school's fortunes. Though a personal guarantee can create the uncomfortable situation of placing (for example) a board member's home on the line, in some cases it is the only way to secure financing.

Seller financing

If you are buying a building and lack an adequate downpayment, the seller of the building may be willing to make you a loan for a part of the purchase price. If the seller is willing to take a "subordinate" lien position (i.e., be next in line behind your other investors in the event of foreclosure), the risk to your other investors is abated.

A Community Facility—Guaranteed

A charter school in North Carolina used the **USDA's Community Facilities Loan Guarantee Program** (see the USDA's non-profit gateway at http://rurdev. usda gov/agency/rhs/cf/cf.htm) in securing funds for renovation and working capital. The school's lender (**Self-Help,** NC's community development financial institution) was able to extend this financing because of USDA's willingness to guarantee the school's loan. The program offers an 80% guarantee on a loan if the facility is located in an area with 20,000 people or less. The USDA expects to raise this threshold to 50,000 soon.

"For more information on this particular project contact Reginald Johnson at Self-Help, (919) 956-4400. For information about Self-Help, visit http://www.self-help.org/new/lending/sh10.htm

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Expecting the Best—Planning for the Worst

Times^2 Academy's (also featured on page 24) new building is designed to be a permanent building, but in fact, it is a relocatable, multi-story modular facility that, if need be, can be reused, relocated, or expanded for other uses. The company building the facility, Pope Building Systems in New Hampshire, designs and builds facilities for schools (public, private, and charter) with flexibility in mind. For example, in building the facility, they consider including shared common space, multipurpose rooms, gymnasiums, and other features that would appeal to occupants other than schools if for some reason the school closes. Such features also make it possible for school facilities to be used for after-school programs or as meeting space for community groups.

"For more information contact Dustin Pons at (617) 426-6688, (888) 656-6688 or dustin@ma.ultranet.com

Developing Communities, Developing Schools

More and more community development corporations (CDCs) across the country have begun starting or helping community residents start charter schools. Viewing education as critical to the viability of their neighborhoods, these CDCs are capitalizing on their expertise in developing facilities, building small businesses, and running programs for young people.

One of the nation's oldest and largest CDCs, Newark's **New Community Corporation** (NCC), helped **North Star Charter School** get off the ground. NCC purchased a building for the middle school, deployed its ample real estate expertise in overseeing the renovation, and now leases the facility to the school. Financing for the project proved much simpler to obtain in light of NCC's extensive track record in the community. NCC's assistance to North Star, though, went even further. The CDC helped the school raise money, provided office space to the school before it opened, oversaw legal work and negotiations with the planning board, dispatched its technology staff to help wire the school, provided help with marketing and public relations through its wide community network. A branch of NCC even provides school meals.

NCC has recently taken its commitment to improving education for its community through charter schools to another level—the CDC received approval to open a new elementary charter school, **New Horizon Community Charter School** in the fall of 1999.

"For more information about NCC's involvement in charter schools, visit www.newcommunity.org or contact Dale Anglin at 973-497-4410 or dranglin@newcommunity.org

"To learn more about CDCs or to locate CDCs in your area, visit the National Congress for Community Economic Development's Web site at www.ncced.org or call 1-877-44NCCED.

D. Looking for Revenue-Generating Opportunities

Whatever the actual cost of the financing you obtain, you can lower your net costs if you can find ways for your facility to *generate revenue* for you. The most obvious way to do so is to lease or sub-lease space during the times school is not in session—perhaps during evenings, weekends, and summers. Certain types of tenants, such as before and after-school, tutoring, or adult education programs, may actually be complementary to your central educational mission. Others may simply offer much-needed cash. See "Moonlighting" on page 29 for an interesting example.

Charter school leaders advise keeping a few things in mind when leasing out your space:

- ✔ ***Consider compatibility.*** Don't just take the first tenant who walks up with money in hand. Think about how the prospective tenant will mesh with your school. Will the tenant's presence disrupt school operations in any way? Distract students and faculty?

- ✔ ***Check your laws, regulations, and contracts.*** Make sure you're taking into state and local laws and regulations regarding the use of your facility. Check your lease and loan agreements for any provisions regarding taking on tenants.

- ✔ ***Being a landlord can be tough.*** Having tenants will inevitably divert some of management's attention from the school's core mission.

Moonlighting

New Visions Charter School and its affiliated non-profit organization, A Chance to Grow, took advantage of the clinical aspects of their programs to generate revenues. New Visions and A Chance to Grow developed their three clinics and expanded their services to serve the public at large on a fee-for-service basis, while continuing to serve the New Visions students for free.

"For a more in-depth review about New Visions School and its experience with the facility finance challenge see "Many Paths Lead to New Visions" on page 34.

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V. LEVER 4: ADVOCATING FOR CHANGES IN STATE EDUCATION FINANCE POLICIES

State legislatures around the country have begun to address the facilities challenges through a number of strategies.

THE FIRST THREE LEVERS INVOLVE ACTIONS YOU CAN TAKE to improve your own school's facilities picture directly. But many of the problems you and other charter schools face in the facilities arena stem from disadvantages built in to charter school laws and state school finance policies. For charter leaders interested in the long-term prospects for charter schools, a final lever is to join forces and work for changes in these unfavorable policies.

State legislatures around the country have begun to address the facilities challenge through a number of strategies, including:

- ✔ ***Providing adequate revenue to cover facilities costs.*** Several states now offer charter schools per-pupil revenues *beyond their operating funds* to pay for capital expenses. One state, Florida, also provides one-time up-front payments to help schools pay for buildings.

- ✔ ***Giving charter schools easier access to low-cost financing.*** Two states have empowered existing bond authorities to issue tax-exempt bonds for charter schools. Another option is to ensure that charter schools can issue tax-exempt debt directly.

- ✔ ***Creating or stimulating finance pools for charter schools.*** Chicago Public Schools and several private entities have established dedicated loan pools for charter schools.

- ✔ ***Providing incentives for organizations to supply facilities.*** Policy-makers can encourage local school districts, other governmental entities, property owners, employers, and real-estate developers to provide facilities for charter schools.

- ✔ ***Considering other ways to improve the facilities climate.*** Addressing investors' concerns about the short terms of charters, ensuring charter schools are exempt from property taxes, making it clear that charter schools can own facilities, and making it possible to convert existing

schools to charter status would all help improve the facilities climate for charter schools.

For more information about these strategies, see the Charter Friends National Network publication *Paying for the Charter Schoolhouse: Policy Options for Charter School Facilities Financing.* This publication is available on the Friends Network's Web site at www.charterfriends.org/facilities.html or by contacting the Friends Network at info@charterfriends.org or 651/649-5472.

VI. CONCLUSION: MEETING THE CHALLENGE

Charter school facilities financing is a work in progress.

THE IDEAS PRESENTED IN THIS DOCUMENT are based on the experiences of dozens of charter schools across the country. Some will make sense in your context; others won't. Our hope is that you can use these stories and tools to stimulate thinking locally about strategies that will work for your school. The Appendix that follows collects all of the resources mentioned in the document in one place.

Charter school facilities financing is a work-in-progress and more and better strategies are being created across the country. You will add your own stories as you move forward on your own projects.

If you have a compelling story you would like to share with others, or a helpful resource or tool for the field, please do not hesitate to send it to the Friends Network. As the facilities financing area of the Charter Friends Web site is updated with additional resources, additional examples and resources will be added. Thus, your experience, unique as it might seem, may provide inspiration to your peers all across the country.

Many Paths Lead to New Visions

New Visions School in Minneapolis, MN offers a full range of grade 1-8 subjects—reading, writing, language skills, math, science and social studies—plus some very important extras. Most students at New Visions need help in overcoming reading and other learning difficulties. While keeping up with their normal studies, students spend part of each day sharpening their perceptual skills in a unique program called Brain Gym. Corrective measures are built into a series of exercises and games that are stimulating and fun.

While New Visions' mission is unique, its experience with facing the challenge of finding and financing a facility resembles the experiences of many other charter schools around the country. New Visions' experience provides an encouraging example of how charter schools can overcome these challenges. New Visions' story also attests to the fact that charter schools must be creative, resourceful, determined, and draw from a variety of financing tools, many of them discussed above, rather than on one singular strategy.

New Visions raised $4.6 million over a 2 and 1/2 year period and renovated a boarded up 40,000 square foot sheet metal plant into a 52,000 square foot community learning center. The school completed the project at a cost of about $90 a square foot which compares to about $125-150 a square foot that traditional school districts spend to build new schools.

During the fundraising process, New Visions recognized that first and foremost, a charter school has to be able to demonstrate results. Without having these results, the school's leaders question whether they would have been as successful in raising the funds. Many individuals, corporations, and foundations were familiar with New Visions' program through its annual report. Furthermore, as a recognized "effective" school, it was able to successfully apply for a wide range of grants available to all school districts in Minnesota (e.g., technology grants).

New Visions also built working relationships with other community groups. For instance, being located next to the neighborhood Park Board also means that the school has a playground, tennis courts, basketball courts, hockey rink, and baseball diamonds for the school's use. However, the Park Board didn't have an indoor gym. So the school sold its gym to the Board and now pays $1 a year to use it during the school day. The Park Board uses the gym to offer recreational activities for the neighborhood after school and in the evenings, programs that the school participates in free of charge. This deal also enabled the school to access funding for capital improvements through the Park Board's governmental status. Finally, the arrangement garnered support from the Mayor who in turn contributed funding for the project as well as general support from foundations and individuals.

The clinical nature of New Visions and its affiliate, A Chance to Grow, allowed them to develop their three clinics and expand their services to serve the public at large on a fee-for-service basis, while continuing to serve the New Visions students for free. The school has also added a therapeutic child care program and will therefore be adding an Early Childhood Special Education component to New Visions.

New Visions did rely on traditional financing to some degree; part of the $4.6 million is $650,000 in debt on the building. Although aware of the different national groups marketing their financing to charters, New Visions found that finding a local bank and developing a relationship with them was the most cost effective approach in its particular case. A local bank made the school a $2.4 million bridge loan at 7.75% so renovations could begin even before the school raised all the money. The same bank provided permanent financing and has gone on to lend to other charter schools.

Overall, New Visions experience was a positive one. While every charter school's situation is unique, New Visions founder Bob DeBoer shares with his follow charter school facility finance pioneers two principles: "have a record of documented results and to be ready for a lot of hard work. It can be done."

***For more information contact Bob DeBoer at (612) 706-5512 or bdeboer@mail.actg.org*
http://www.informns.k12.mn.us/~0287maap/cmregion/newvision/newvis.htm

VII. APPENDICES: WHERE TO GO FOR MORE INFORMATION

A. Schools Featured In This Document (in alphabetical order)

Arizona Agribusiness and Equine Center, Phoenix, AZ
Contact: Linda Proctor Downing (602) 243-8004

City On A Hill Charter School, Boston, MA
Contact: Sarah Kass (617) 262-9838
http://www.doe.mass.edu/cs.www/cs.cityonahill.html

Crown Pointe Charter Academy, Westminster, CO
Contact: Kay May (303) 466-8468 or linkomatic@aol.com
http://www.geocities.com/athens/olympus/9509

Exploris Middle School, Raleigh, NC
(919) 834-4040
http://www.exploris.org/ems.htm

The Museum School, Children's Museum, San Diego, CA
(619) 233-5437 or (619) 233-8792

FALA (Flagstaff Arts and Leadership Academy), Flagstaff, AZ
(520) 779-7223
http://www.fala.apscc.k12.az.us/

Henry Ford Academy of Manufacturing Arts & Sciences, Dearborne, MI
(313) 982-6200
http://www.hfacademy.org/

Liberty Common Charter School, Fort Collins, CO
Contact: Peter Kast (970) 229-9900 or pkast@frii.com

Marble Charter School, Marble, CO
Contact: Katie Updike (kupdike@rof.net)
http://marblecolorado.org/mcs

Minnesota New Country School, LeSueur, MN
(507) 665-4033
http://mncs.k12.mn.us

New Century Charter School, Carrboro, NC
Contact: Holly Snyder (919) 942-4772 or newcentury1@juno.com
http://nccs.home.mindspring.com

New Spirit School, St. Paul, MN
(651) 484-1854
http://www.newspiritschool.com

New Visions Charter School, Minneapolis, MN
Contact: Bob DeBoer (612) 706-5512 or bdeboer@mail.actg.org
http://www.informns.k12.mn.us/~0287maap/cmregion/newvision/newvis.htm

Noble Street Charter School, Chicago, IL
(773) 278-7471

Options Public Charter School, Washington, DC
(202) 675-4140

SEED Public Charter School, Washington, DC
(202) 712-9134

St. Paul Community Learning Center, St. Paul, MN
Contact: Wayne Jennings, Designs for Learning at
(651) 649-5400 or wayne@designlearn.com

Times^2 Academy, Providence, RI
Contact: Ralph Taylor (401) 272-5094 or times2@ids.net

Wyatt Edison Charter School, Denver, CO
Contact: Garrett Wyman (212) 292-4527 or
wyman@newyork.edisonproject.com

B. Potential Public Sources of Facilities Financing

USDA's Community Facilities Loan Guarantee Program
http://rurdev.usda.gov/agency/rhs/cf/cf.htm

Community Development Block Grants
http://www.hud.gov/progdesc/cdbg-st.html

Empowerment Zones/Enterprise Communities
http://www.hud.gov/cpd/ezec/ezeclist.html

Hope VI
http://www.hud.gov/pih/programs/ph/hope6/hope6.html

C. Public Sources of Facility Sites and Buildings

General Services Administration Public Buildings Service
1-800-472-1313
http://www.gsa.gov/pbs/pr/prhome.htm.

Department of Housing and Urban Development
http://www.hud.gov/brokers.html

D. Other Resources

Foundation Center (information about fundraising and funders)
http://fdncenter.org

National Community Capital Association (community development financial institutions)
http://www.communitycapital.org

National Congress for Community Economic Development (community development corporations)
(877) 44NCCED
http://www.ncced.org

National Trust for Historic Preservation, Washington, D.C.
(202) 588-6255
http://www.nationaltrust.org

E. Some Sources of Financing and Financial Services for Charter Schools

The following alphabetical list is not an exhaustive list of all organizations providing these services. It consists of organizations that have requested to be on the list or who have been recommended for the list by charter schools. Descriptions of the organizations were self-provided, edited only minimally. The inclusion of an organization in this list should not be construed as an endorsement of the provider by the Charter Friends National Network.

ABS School Services
Dean Wilson
PO Box 20279
Sedona, AZ 86341
Phone: (520) 639-1281
Fax: (520) 639-1319
E-mail: dean@abs-services.com

Geographic Scope: Arizona, Texas, Florida

ABS School Services provides a wide variety of services to school districts, charter schools, private schools and federal grant schools. Some of these services include lending, consulting on school finance and budgeting, guidance on applications for grants, investment management, and facility management.

Belle Haven Investments
James A. Swan
5 Greenwich Office Park
Greenwich, CT 06831
Phone: (203) 629-7073
Fax: (203) 629-1842
E-mail: swanj@bellehaven.com

Geographic Scope: National

Belle Haven is an investment banking firm specializing in structuring and closing asset backed tax-exempt bond financing for not-for-profit 501(c)(3) entities.

Charter School Financing Alliance
Michael B. Terry
1375 Redwood Circle
Grants Pass, OR 97527
Phone: (541) 479-9521
Fax: (541) 472-1697
E-mail: MTerryCSFA@aol.com

Geographic Scope: National

Charter School Financing Alliance provides financial advisory services to charter school owners, operators, and their boards of directors nationwide. CSFA also works with authorizers, sponsors, state resource centers, and state departments of education in formulating capital asset and working capital financing options and policies that promote responsible growth and development of charters.

In one instance acting as a financial advisor, CSFA solely represents charters in finding the best financing terms, rates and conditions from the universe of qualified and available lenders at a specific time. We offer a process of guiding, advising and representing charter Schools for all funding requirements in what has become an increasingly complex area.

Education Properties LLC
Mohsin M. Amiji
One Liberty Square 6th Floor
Boston, MA 02109
Phone: (617) 423-7177
Fax: (617) 451-0674
E-mail: mamiji@aol.com

Geographic Scope: National

Education Properties is a Boston-based national real estate company that specializes in the location, acquisition, and development of school buildings for the charter and for-profit elementary and secondary school sectors. By providing development expertise on a national scale, Education Properties can propel the growth initiatives of school operators by drawing on an established network of brokers, commercial lenders and property owners to meet the need for classroom space on a timely basis.

FM Capital
Frank E. Miller
FM Capital Corporation
35300 Woodward Ave, Suite 404
Birmingham, MI 48009
Phone: (248) 644-4303
Fax: (248) 644-1195
E-mail: fmiller3@aol.com

Geographic scope: National

FM Capital's services focus on materials and equipment finance for charter schools. We have been working with charters for over 3 years now. Modular buildings, computers, furniture, office equipment, playground, kitchen, textbooks, and transportation vehicles, are some of the most popular items that schools wish to finance. We will finance virtually anything for a school, as long as it is essential. We do not finance consumable items. On a case by case basis we will consider the financing of brick and mortar construction. On a limited basis we will provide short term cash flow loans. We work with schools nationwide.

Ferris, Baker Watts, Inc
Adrian G. Teel, Manager of Public Finance
100 Light Street
Baltimore, MD 21202
Phone: (410) 659-2564
Fax: (410) 528-1257
E-mail: rbrooke@fbw.com

Geographic Scope: Mid-Atlantic region

Ferris, Baker Watts, Incorporated is a full service investment banking firm providing underwriting and financial advisory services to clients throughout the mid-Atlantic region, including non-profit organizations, governmental agencies and municipalities.

Ferris, Baker Watts has served as a managing underwriter for education revenue bonds issued to refinance and restructure existing debt, finance equipment purchase, finance the acquisition and construction of new properties as well as financing capital improvements to existing buildings. The firm uses a number of financing vehicles including tax-exempt and taxable leases and bonds, fixed and variable rate debt, swap options and callable and non-callable bonds to achieve a varying number of financing objectives.

HADC
Wendy S. Horn
7101 Executive Center Dr. Suite 250
Brentwood, TN 37027
Phone: (615) 376-9995
Fax: (615) 371-0246
E-mail: HornW@hadc.com

Geographic Scope: National

HADC is a total facilities solutions company providing cost-effective, special-use facilities and financial solutions to charter schools and other organizations. HADC's services include: turnkey planning, financing and project management; site identification, analysis and procurement; community needs assessments and market analysis; functional facility program-ming, design and modeling; facility 'highest and best use' or 'adaptive re-use' analysis; facility financial modeling; and architectural design, interior design, and special space planning.

Illinois Facilities Fund
Jane Bilger, Director Finance and Lending
Joe Neri, Director Real Estate Services
300 West Adams, Suite 431
Chicago, IL 60606
Phone: (312) 629-0060
Fax: (312) 629-0065
E-mail: jrbilger@iffund.org

Geographic Scope: Chicago, Illinois

The Illinois Facilities Fund is a nonprofit community development financial institution providing financing and real estate development services to nonprofit service organizations in Illinois. The Charter School Loan Program provides financing for facility purchase, improvement, and equipment for charter schools in Chicago. Fee for service consulting for the application design and analysis is also available throughout the State of Illinois.

John G. Kinnard & Co.
Richard M. Ward, Manager
Educational Finance Group
Kinnard Financial Center
920 Second Ave. South
Minneapolis, MN 55402
Phone: (612) 370-2580
Phone: (800) 444-7884
Fax: (612) 370-2572
E-mail: rward@jgkinnard.com

Geographic Scope: National

John G. Kinnard & Co. is an experienced and innovative source of tax-exempt and taxable financing for Charter Schools. We have a successful record of raising long term capital at competitive rates for both start-up and experienced charter school enterprises. We have enabled charter school clients to acquire and renovate their current operating space and also to construct new school buildings. We are able to respond quickly to any financing inquiry and provide a number of financing options.

John G. Kinnard & Co. is full-service brokerage firm headquartered in Minneapolis and established in 1948, providing securities brokerage, asset management and related financial services to individuals and institutions.

Miller, Johnson & Kuehn, Inc.
John L. Grafelman
Jay Hromatka
5500 Wayzata Blvd
8th Floor- Suite 800
Minneapolis, MN 55416
Phone: (612) 542-3604 or (612) 542-3620
Fax: (612) 542-3566
E-mail: jgrafelman@mjksales.com or jhromatka@mjksales.com

Geographic Scope: National

Provides long-term fixed rate facility financing. In the last year, started a national financing program and have been working with charter schools for 3 years.

National Cooperative Bank Development Corporation (NCBDC)

Facility development and financial advisory services:
David Nolan
NCB Development Services, LLC
1333 Broadway, Suite 602
Oakland, California 94612
Phone: (510) 496-2225
Fax: (510) 496-0404
E-mail: dnolan@ncb.com
Web site: http://www.ncb.com

Lending:
Kerinne McNicholas
NCB Development Corporation
1401 Eye St. NW, Suite 700
Washington, DC 20005
Phone: (202) 336-7729
Fax: (202) 336-7804
E-mail: kmcnicho@ncb.com
Web site: http://www.ncb.com

Geographic scope: National

NCB Development Corporation offers a range of financial products to charter schools including mortgages, equipment and leasehold improvement loans, working capital lines of credit and start-up loans. To date, loan sizes have ranged from $75,000 - $4.5 million. NCB Development Services, LLC is currently developing products and services to assist charter school operators, specifically through facilities development and financial advisory services.

Park National Bank
C. Peter Svahn
Vice President and Manager
Public Finance Division
140 East Town Street, Suite 1010
Columbus, Ohio 43215
Phone: (614) 228-5019
Phone: (800) 295-0747
Fax: (614) 228-0205
E-mail: psvahn@parknationalbank.com

Geographic Scope: National with Midwest concentration

Park National Bank is a direct funding source with considerable charter school experience. Park makes tax-exempt loans to charter schools for cash flow notes, equipment lease purchase agreements and for facility construction and renovation.

Pope Building Systems, Inc.
Pope Finance
Dustin M. Pons, Vice President
8 Commerce Dr.
Atkinson, NH 03811
Phone: (617) 426-6688 or (888) 656-6688
Fax: (617) 426-2669

Geographic Scope: National

Pope Building Systems is a design/build construction management company that provides a variety of services for charter schools, including modular construction, panelized construction, conventional construction and renovation. We also supply design and consulting services. We are basically a regional company in New England and the Mid-Atlantic States, however we are currently working with charter schools throughout the country and we will look at any project. Pope Finance provides financing for charter schools for construction, renovations, land acquisition and equipment. We structure leases, both taxable and tax-exempt, lease/purchases, conventional mortgages, tax-exempt bonds and more. Pope Finance is a national company.

Prudential Foundation
John Kinghorn
751 Broad Street, 15th Floor
Newark, NJ 07102-3777
Phone: (973) 802-6995
Fax: (973) 802-3345
E-mail: john.kinghorn@prudential.com

Geographic Scope: New Jersey, Atlanta, Boston, Chicago, Denver, Houston, Jacksonville, Los Angeles, Minneapolis, Philadelphia and Phoenix

The Prudential Charter School Lending Program provides below market rate loans to support the start-up, early operations, and long-term facilities financing needs of charter schools. Short-term working capital funding may be used for a wide variety of charter school capital needs, ranging from start-up costs through continuing operating expenses. Appropriate uses include financing short-term expenses, such as salaries, equipment, supplies and facilities improvement, and providing a buffer in the school budget.

SchoolWorks, LLC
Matt Candler
7511 Mariner Cove
Cornelius, NC 28031
Phone: (704) 895 5720
Fax: (704) 895 7709
E-mail: mcandler@att.net
Web site: http://www.school-management.com

Geographic Scope: Mid-Atlantic and Southeast states, headquartered in North Carolina

Building on the educational mission of the school, SchoolWorks builds a financial support plan that matches the unique needs of the school and seeks appropriate support from: local banks, national banks, community development finance institutions, corporate partners, foundations, individuals, and government agencies.

Self-Help
Reginald Johnson
P.O. Box 3619
Durham, NC 27702-3619
Phone: (919) 956-4400
Fax: (919) 956-4600
E-mail: reginald@selfhelp.org
Web site: http://www.selfhelp.org

Geographic Scope: North Carolina

Self-Help is a nonprofit community development financial institution that provides loans and technical assistance to people buying homes, new and expanding businesses, and nonprofits. Self-Help provides financing and technical assistance to charter schools across North Carolina through its Community Facilities Fund. Self-Help offers loans to buy real estate or equipment, to get started with operations, and for working capital, as well as consultation on financing and real estate development. To date loans have ranged from $25,000 to $1.5 million.

Sutro & Co
Paul Collings, Vice President
370 17th Street, Suite 1300
Denver, CO 80202
Phone: (800) 877-4693
Fax: (303) 592-4925
E-mail: PECollings@msn.com

Geographic Scope: National

The Sutro & Co. Municipal Leasing Group was formed in 1989 as a joint venture between the affiliated companies of Boston based Tucker Anthony and San Francisco based Sutro & Co. Incorporated. Since inception, the Leasing Group has completed over $1.0 billion in private placement lease transactions in addition to underwriting over $2.0 billion of certificates of participation. The Group specializes in the funding of real estate and equipment on a private placement basis for public entities including schools throughout the United States.

Note: *This directory will be regularly updated on the Charter Friends Web site. If you would like to recommend additions, e-mail: info@charterfriends.org*

About the growing role of "Charter Friends . . ."

Charter schools depend on the passion and commitment of their founders and their determination to address the educational needs of the students and communities they serve. But even the best charter founders and operators cannot succeed entirely in isolation. They require an infrastructure of technical and informational support to help design quality schools, obtain charters and launch and successfully sustain their operations.

In response to these needs, a number of **state and sub-state resource centers and other charter support organizations** are emerging throughout the country. Some of these organizations were initially established to help build public awareness and legislative support for state charter school laws. Once the laws are passed, these groups tend to focus their attention on recruiting and assisting charter applicants and providing charter operators ongoing technical assistance and other forms of support.

These "Charter Friends" organizations assist charters with a **variety of issues and needs** including school planning, governance, financing, curriculum, assessment and accountability, facilities, and other critical aspects of starting and running high quality schools. Most are privately funded non-profit organizations, but they sometimes charge fees to help cover the cost of their operations. They attract fiscal and administrative support from foundations, businesses, think tanks, academic institutions, and individuals. They are most often organized at a state level, but sometimes have a more narrow geographic focus within a state.

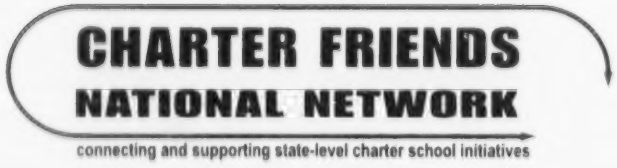
About the Charter Friends National Network . . .

Just as no charter school can succeed in total isolation, state and sub-state "Charter Friends" organizations have found value in the relationships and support they gain from each other. With charter schools now authorized in 36 states and the District of Columbia, both the number of these organizations and the potential for mutual shared support have grown rapidly. In response, the **Charter Friends National Network** was established in early 1997 as a project of the St. Paul-based Center for Policy Studies in cooperation with Hamline University.

The Network's mission is to **promote the charter opportunity by helping to start and strengthen resource centers and other state-level charter support organizations.** The Network pursues its mission through publications, conferences, on-line communications, a grant program, and multi-state initiatives on high-priority issues. In 1999, these initiatives include charter school accountability, facilities financing, special education and federal policy development.

Charter Friends National Network began as an expansion of the work of **Ted Kolderie**, senior associate at the Center for Policy Studies and a leader in the national charter movement from its beginning. Its director is **Jon Schroeder**, a veteran Minnesota policy analyst and journalist who played a major role in the design and passage of the federal charter grant program as policy director for former U.S. Senator Dave Durenberger. Leading the Network's outreach initiative is **Eric Premack**, who heads the Charter Schools Development Center at California State University and is one of the nation's top experts on both charter school policy and operations. Several nationally known consultants are also engaged to work on specific initiatives.

For more information on the Network and its activities, contact: Charter Friends National Network, 1745 University Avenue, Suite 110, St. Paul, MN 55104; 651-649-5479 (voice); 651-649-5472 (fax); info@charterfriends.org (e-mail); or www.charterfriends.org (web site).



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